Weekly Economic Review

Albertans spend less on vehicles and gas

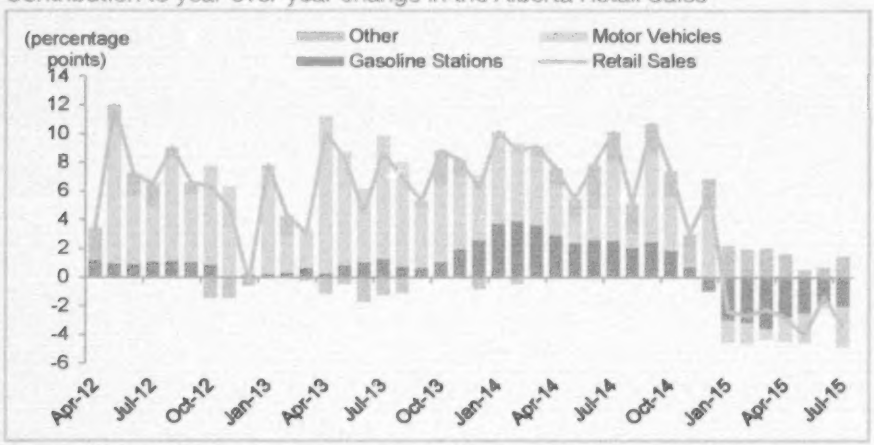
Retail Sales

Spending pulls back

In July, Alberta retail sales increased 0.5% to $6.4 billion, but were down 3.7% from a year prior and 2.6% year-to-date. Sales at motor vehicle and parts dealers, and gas stations continue to pull down growth in overall sales (Chart 1). Excluding these components, sales growth has been lower, but stable since February, growing by 2.6% year-over-year (y/y). Food and beverage sales were up 2.2% y/y, while health and personal care sales were up 8.8%.

Chart 1: Consumers are spending less in Alberta

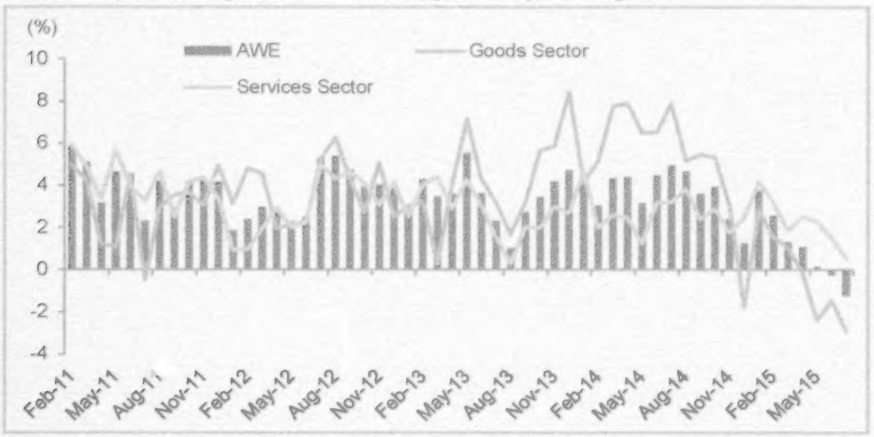
Contribution to year-over-year change in the Alberta Retail Sales



Source: Statistics Canada

Chart 2: Earnings fall year-over-year due to the goods sector

Year-over-year change in Alberta Average weekly earnings



Source: Statistics Canada

Retail sales in Canada were up 0.5% to $43.3 billion in July, an increase of 1.8% y/y. Year-to-date, Canadian retail sales are up 2.1%. The highest growth was in BC, while sales were down year-over-year in Alberta, Saskatchewan, Newfoundland and Labrador, and PEI.

Average weekly earnings

Earnings continue declining

Alberta average weekly earnings (AWE) fell 0.6% in July to $1,141. For the second-straight month earnings were down year-over year, falling by 1.2%. This was the largest year-over-year decline in over twenty years. The softening earnings growth coincides with declining growth in average weekly hours. The goods sector has been the hardest hit by low oil prices, with earnings declining by 2.9% y/y, led by a 3.7% y/y drop in oil & gas earnings. Service sector earnings declined 0.9% to $995, but were up a slight 0.5% year-over-year. Low AWE growth in the service sector was the result of large declines in real estate, rental and leasing (-8.9% y/y) and food and accommodation (-6.1% y/y).

Average weekly earnings across Canada increased 0.2% to $957, and were up 1.6% from a year ago. Year-to-date, earnings were up 2.2%. Alberta was the only province to experience negative earnings growth.

New Housing Construction

Construction drifts lower

Alberta new housing construction in July declined 5.5% y/y, the first decrease since October 2011. Growth has been slowing since March. Leading

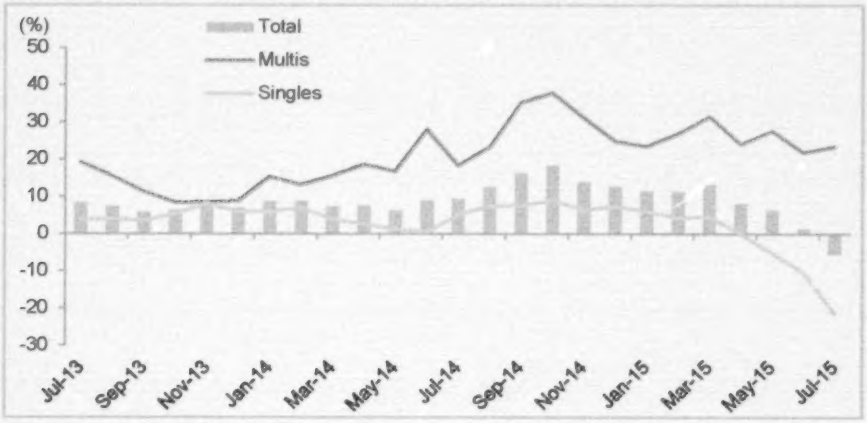
this decline was a 22% y/y fall in single-family construction, which more than offset strong growth in multi-unit construction (Chart 3). Investment in apartment buildings climbed to a record high, rising by 47% y/y, supporting the trend of strong apartment activity in the province of recent years.

Job Vacancies

Vacancies remain low

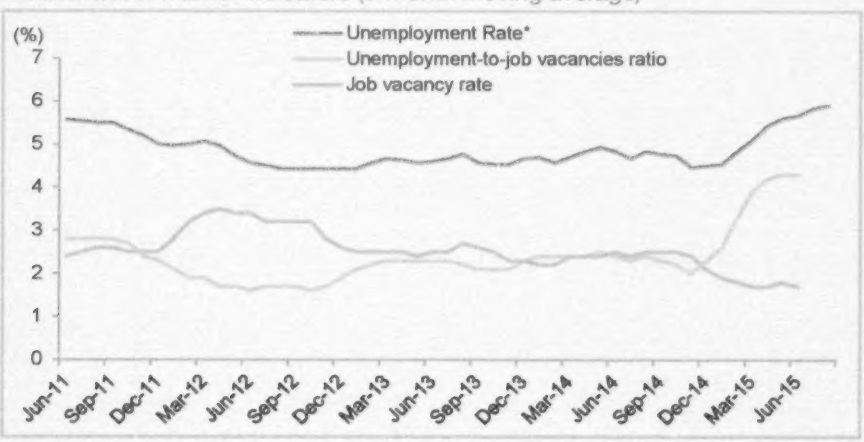
Over the three months ending in June, the average number of job vacancies remained low, averaging 34,300. This reflects a decline of 15,500 vacancies from the same period in 2014 to the lowest level since the data began in 2011.

Chart 3: Construction decline in single units offsets increase in Apartments
Year-over-year change of investment in new dwellings



Source: Statistics Canada

Chart 4: More people are searching for fewer job openings
Alberta labour market indicators (3-month moving average)



Source: Statistics Canada; *Unemployment rate data are more recent (August)

The job vacancy rate, or the proportion of positions that were unfilled, also remained low at 1.7%, a decline of 0.8 percentage points from last year. The unemployment-to-job-vacancies ratio was 4.3, the result of increasing unemployment and falling job vacancies (Chart 4).

Across Canada, job vacancies averaged 243,500 in the three months ending in June, an increase of 9,700 vacancies over the same period last year. The job vacancy rate remained a stable 1.6%, unchanged throughout most of the year. The ratio of unemployment-to-job vacancies was 5.5, down slightly from a year prior.

Tourism

Alberta welcomes more tourists

Alberta was the port-of-entry for 159,000 international tourists in July, 3.4% more than last year. A weaker Canadian dollar has made Canada a more affordable vacation destination. The number of American tourists increased by 2.3% y/y, while non-US international travel was up 5.9%. On the other-hand, a weaker Canadian dollar has made international travel more expensive, with the number of returning Canadians clearing customs in Alberta declining by 7.4% y/y.

US Housing Market

Continuing improvement

The US housing market strengthened further, as new home sales increased by 5.7% in August, and the July figures were revised higher. Existing homes sales pulled back slightly, falling 4.8% in August, but remain up by 7.6% year-to-date after several months of strong growth. Compared with August 2014, existing home sales were up by 6.2% and new home sales were up 22%.

Contact

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.